

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6456**

**BILL NUMBER:** HB 1182

**NOTE PREPARED:** Dec 10, 2007

**BILL AMENDED:**

**SUBJECT:** Sales Tax Exemption for Agricultural Equipment.

**FIRST AUTHOR:** Rep. Friend

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides a Sales Tax exemption for agricultural machinery or equipment used to move animal feed stock for an animal. The bill applies the exemption beginning January 1, 2004.

**Effective Date:** January 1, 2004 (retroactive); April 1, 2008.

**Explanation of State Expenditures:** The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new exemption. It is estimated the DOR could implement these changes through the use of its existing level of staff and resources.

**Explanation of State Revenues:** The bill will cause an indeterminable decrease in state Sales Tax collections. The impact will ultimately be determined by the value of agricultural machinery or equipment used to move animal feed stock to an animal. The exemption has a retroactive effective date of January 1, 2004. Also under the bill, a taxpayer who wishes to claim a refund for transactions occurring before April 1, 2008, must file for that refund before December 31, 2008. Although the refunds will be due to transactions occurring in past fiscal years, the impact will be in FY 2008 going forward.

Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.067%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

**Background:** Currently, transactions involving agricultural machinery or equipment are exempt if:

- (1) the person acquires the equipment for use in conjunction with the production of food and food ingredients or commodities for sale;
- (2) the person is occupationally engaged in producing food or commodities and the person sells the food or commodity for human or animal consumption or uses the food or commodity for further food or commodity production; and
- (3) the machinery or equipment is designed for gathering, moving, or spreading animal waste.

Please note that there is also currently an exemption for any transaction involving agricultural machinery, tools, and equipment if the person acquiring the property acquires it for the person's direct use in the direct production, extraction, harvesting, or processing of agricultural commodities. The DOR and the Tax Court have determined that transactions involving machinery used to move animal feed stock to an animal, do not fall under the exemption for "direct use in the direct production...of agricultural commodities".

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Adam Brown, 317-232-9854.